



TOWN OF GILFORD, NEW HAMPSHIRE

ADMINISTRATIVE CODE

FINANCIAL POLICIES

(ARTICLE 22)

KNOW ALL PERSONS BY THESE PRESENTS, the Gilford Board of Selectmen hereby ordains to amend the Town of Gilford Administrative Code, by deleting Chapter 22 in its entirety, including all previously issued supplements and guidelines pertaining thereto, to be replaced with the following:

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22-A INVESTMENT POLICY

22-A.1 Authority

This investment policy is established under the authority of State Statute RSA 41:29.

22-A.2 Purpose

To provide guidance to Town of Gilford officials as to the investment of public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all laws governing the investment of public funds.

22-A.3 Scope

This investment policy shall cover all funds under the care of the Board of Selectmen and in the custody of the Town Treasurer as listed in Exhibit A-3 and any newly created funds, unless specifically exempted by the article(s) of its creation.

22-A.4 Objectives

- A. *Safety (of principal and preservation of capital)*: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken to ensure the preservation of capital in the overall portfolio.
- B. *Liquidity (maintain sufficient liquidity to meet operating requirements and other cash needs)*: The portfolio shall retain sufficient liquidity to meet all operating requirements that may be reasonably anticipated. To ensure adequate funds are available to pay projected financial obligations, investments will be purchased or deposits made to reasonably match anticipated cash disbursements.
- C. *Yield (rate of return)*: The portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles that is as close to market average as possible, taking into account liquidity needs, investment risk, and capital preservation.

22-A.4 Risks

- A. *Credit risk (loss due to failure of security issuer)*: The Town shall minimize credit risk by limiting investments to the safest types of securities, and diversifying the portfolio.
- B. *Market risk (changes in the financial market could reduce the value of a security)*: The Town shall minimize market risk by limiting investments that are subject to rapid market swings, and by varying investment maturity dates.

22-A.5 Investment Instruments

- A. List of allowable investment instruments:
 - 1. U.S. Treasury bills, notes, and bonds.

2. U.S. Government Agency Securities which carry the full faith and credit guarantee of the U.S. Government.
 3. U.S. Government Instrumentality Securities when contractually managed by a qualified financial advisor and fully collateralized.
- B. List of allowable depository instruments:
1. Money market deposit accounts.
 2. Certificates of deposit.
 3. Sweep accounts.
 4. Repurchase agreements, collateralized by U.S. Government Securities.
 5. Reverse repurchase agreements, for short-term and unexpected liquidity needs only, with guidance from a qualified financial advisor. A reverse repurchase agreement will not be used for leveraging purposes.
 6. Local government investment pools.

22-A.6 Collateralization

All depository instruments will be collateralized by formal written agreement. Ownership of collateralized securities shall be perfected through third party custodial safekeeping. Collateralization will be restricted to the Town's allowable investment and depository instruments with the following tiered ratios:

- A. 100% (minimum) for issues maturing one year or earlier.
- B. 102% (minimum) for all other issues.

22-A.7 Financial Institutions

The types of allowable financial institutions are as follows:

- A. Federally insured banks chartered under the laws of New Hampshire.
- B. Federally insured banks chartered under the laws of the federal government that have a branch located within the State of New Hampshire.
- C. The public deposit investment pool established under state statutes.

Exhibit A-1 to this policy contains a formal list of the qualifying financial institutions maintained by the Treasurer of the State of New Hampshire. Additional financial institutions may be added by the Board of Selectmen to the list after they have been evaluated based upon the following criteria: capital adequacy, asset quality, management, earnings, and liquidity.

22-A.8 Standards of Care

- A. *Delegation of authority:* In accordance with New Hampshire Law, responsibility for conducting investment transactions resides with the elected Town Treasurer. The Deputy Treasurer may be appointed to assist in performing investment functions.

- B. *Prudence*: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
- C. *Ethics*: Key personnel, as listed in Exhibit A-2, who are involved with the investment function of the Town, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Key personnel shall also inform the Administration and Board of Selectmen of any relationships, either personal or professional, with any financial institution conducting business with the Town that may, or give the appearance that it may, constitute a conflict of interest.

22-A.10 Internal Controls

- A. The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft, or misuse.
- B. The Town Administrator is responsible for ensuring that separation of transaction authority from accounting and recordkeeping, and written confirmation of transactions for investments are maintained.
- C. The Board of Selectmen shall establish an annual process of independent review of the investment function. This review will provide internal control by assuring compliance with established policies and procedures.

22-A.11 Policy Review

This policy will be reviewed by the Board of Selectmen and Treasurer on annual basis, and when there is a change in key personnel. Performance of the current investments shall also be reviewed on at least an annual basis. This policy may be reviewed if there is a change in the investment environment, a change in an approved financial institution, or for the purposes of continuous improvement. If a change occurs in investment law which is not reflective of this policy, the law will prevail.

Exhibit A-1 – List of Financial Institutions

	<u>Fed or NH Chartered</u>	<u>Federally Insured</u>
Bank of America N.A. (NC)	Federal	Yes
Bank of New England	NH	Yes
Bank of New Hampshire	NH	Yes
Centrix Bank & Trust	Federal	Yes
Citizens Bank New Hampshire	Federal	Yes
Claremont Savings Bank	NH	Yes
Community Guaranty Savings Bank	NH	Yes
Connecticut River Bank, N.A. (VT)	Federal	Yes
Federal Savings Bank	Federal	Yes
First Colebrook Bank, The	NH	Yes
Franklin Savings Bank	NH	Yes
Hampshire First Bank	NH	Yes
Lake Sunapee Bank, FSB	Federal	Yes
Lancaster National Bank, The	Federal	Yes
Ledyard National Bank (VT)	Federal	Yes
Mascoma Savings Bank	Federal	Yes
Meredith Village Savings Bank	NH	Yes
Merrimack County Savings Bank	NH	Yes
Monadnock Community Bank, FSB	Federal	Yes
Northway Bank	NH	Yes
Ocean National Bank	Federal	Yes
Optima Bank & Trust Company	NH	Yes
Piscataqua Savings Bank	NH	Yes
Profile Bank, FSB	Federal	Yes
Salem Co-operative Bank	NH	Yes
Savings Bank of Walpole	NH	Yes
Sovereign Bank (PA)	Federal	Yes
Sugar River Bank	NH	Yes
TD Bank	Federal	Yes
Woodsville Guaranty Savings Bank	NH	Yes
New Hampshire Public Deposit Investment Pool	NH Statute	N/A

Exhibit A-2 – List of Key Personnel

Board of Selectmen

Chairman.....J. Kevin Hayes
Vice ChairmanJohn T. O'Brien
Clerk.....Gus Benavides

TreasurerKaren Saunders
Deputy TreasurerKimberly Varricchio

Finance Director.....Geoffrey Ruggles

Town Administrator.....Scott Dunn

Auditors.....Vachon Clukay & Co.

Exhibit A-3 – Funds Subject to this Policy

General Fund
Sewer Fund
Conservation Fund
Recreation Revolving Fund
Ambulance Fund
Special Detail Fund
Cemetery Fund
Capital Project Funds
Escrow Funds

22-B PURCHASING POLICY

22-B.1 Authority

These procedures are adopted pursuant to the authority of RSA 41:9.

22-B.2 Purposes

- A. To procure the necessary goods and services at the lowest possible price consistent with the quality needed in an efficient, timely and cost-effective manner.
- B. To guard against favoritism, improvidence, extravagance, fraud and corruption and secure the best work or supplies at the lowest possible price practicable.
- C. To encourage, when appropriate as otherwise set forth herein, the most open, competitive purchasing process practicable with the objective of obtaining the maximum possible value while maintaining fair and equitable treatment of vendors.
- D. To increase efficiencies, wherever appropriate, through the consolidation and centralization of purchasing and payment functions.
- E. To encourage, whenever possible, the use of State contracts for goods and services, to the extent that such contracts will provide savings to the Town.

22-B.3 Purchasing Agent

- A. The person appointed by the Board of Selectmen as Finance Director shall serve as the Town's Purchasing Agent.
- B. The duties of the Purchasing Agent shall be as follows:
 - 1. To ensure, in so much as possible, that all purchases are made within the appropriations available, using the correct accounts established for such purposes.
 - 2. To ensure compliance with these Purchasing Procedures by the various Department Managers; and to bring violations to the attention of the Town Administrator.
 - 3. To approve or deny all purchase order requisitions submitted by the Department Managers pursuant to these procedures.
 - 4. To issue supplements, guidelines, instructions, clarifications, forms and other measures as may be necessary to implement these procedures.
 - 5. To develop and coordinate a centralized acquisition process for the procurement of products that are purchased in large quantities and commonly used by the various Town departments.

22-B.4 Purchase Orders

- A. All purchases in excess of one thousand dollars \$1,000.00. shall require a purchase order to be signed by the Department Manager or designee. and the Purchasing Agent

or Town Administrator. prior to any Town financial obligation being incurred, except as otherwise exempted under Section 22-B.6.

- B. At a minimum, purchase orders shall include the following information:
 - 1. Vendor's name and address;
 - 2. Date the order is prepared;
 - 3. The quantity and quality of materials. or services. required;
 - 4. Description of materials. or services. required;
 - 5. Unit costs;
 - 6. Any extra charges such as freight, insurance, etc.;
 - 7. Payment terms related to discounts or deadlines when interest may be due;
 - 8. Budget account to be charged subject to Purchasing Agent's discretion..
- C. Prior to signing any Purchase order and issuing any payment, the Purchasing Agent will make sure that the Vendor has provided the Town with a signed W-9 form (for all expenditures of \$600 or more) and an insurance certificate if applicable for services to be provided.

22-B.5 Competitive Bidding

- A. There shall be no bidding requirement for Department Managers to make purchases of goods and services on behalf of the Town that are less than one thousand dollars (\$1,000.00); however, Department Managers are encouraged to seek the best possible price for the value of the purchase at all times.
- B. Department Managers shall be required to solicit a minimum of three (3) written or verbal quotations for purchases between one thousand dollars (\$1,000.00) and five thousand dollars (\$5,000.00). Evidence of such efforts shall be submitted to the Purchasing Agent as part of a Purchase Order requisition. The Purchasing Agent (or Town Administrator) may deny such requests for non-essential purchases that are not listed in the budget that is approved by the Board of Selectmen.
- C. Department Managers shall be required to obtain approval from the Board of Selectmen for all purchases of goods, materials and supplies in excess of five thousand dollars (\$5,000.00) following the solicitation of sealed bids pursuant to the following procedures:
 - (1) Department Managers shall draft a set of bid specifications and other conditions for review by the Town Administrator.
 - (2) Upon approval of the Town Administrator, sealed bids shall be publicly advertised (with a 14 day minimum notice) and may also be solicited by direct mailings to qualified vendors.
 - (3) Bids shall be opened by the Town Administrator (or designee) in a public setting at a prescribed date, time and location.

- (4) The Town Administrator, in consultation with the Department Manager, shall submit a written request to the Board of Selectmen that summarizes the bid results and makes a recommendation for a bid award that includes identification of available funds. Note: In the event that the lowest bid is not recommended, a written explanation shall set forth the specific reasons for this conclusion.
 - (5) Upon approval and authorization by the Board of Selectmen, the Town Administrator may enter into a contractual agreement on behalf of the Town under such terms and conditions as deemed acceptable to the Selectmen. The Town Administrator shall also be responsible for notifying bidders that were not selected and for retaining all submittals for public inspection as otherwise required by law.
- D. At a minimum, written bid specifications shall include the following information:
1. A statement which reserves the Town's right to accept or reject any and all bids, negotiate any contract terms, consider any product substitutions and waive any informalities in the bid process as may be in the best interests of the Town.
 2. A statement that late bids or bids submitted by fax or electronic means will be rejected.
 3. A statement that identifies the basis of the bid award, especially if the lowest responsible price is not the sole consideration.
 4. A request for at least three (3) municipal references.
 5. A process for issuing addendums and responding to bidder inquiries.
- D. Department Managers shall be required to obtain approval from the Board of Selectmen for all professional services, (including, but not limited to engineers, plumbers, electricians, scientists, architects, surveyors, auditors), in excess of five thousand dollars (\$5,000.00) by requesting proposals (RFP's) pursuant to the following procedures:
- (1) Department Managers shall draft a set of scope of services and other service contract conditions for review by the Town Administrator.
 - (2) Upon approval of the Town Administrator, requests for proposals shall be publicly advertised (with a 14 day minimum notice) and may also be solicited by direct mailings to qualified professionals.
 - (3) Proposals that are received shall be reviewed by the Department Manager, the Town Administrator and others as may be necessary, to include a process of selecting finalists and/or requiring supplemental presentations if applicable.
 - (4) The Town Administrator, in consultation with the Department Manager, shall submit a written request to the Board of Selectmen that summarizes the proposal results and makes a recommendation for a contract award that includes identification of available funds.
 - (5) Upon approval and authorization by the Board of Selectmen, the Town Administrator may enter into a contractual agreement on behalf of the Town under such terms and conditions as deemed acceptable to the Selectmen. The

Town Administrator shall also be responsible for notifying participants that were not selected and for retaining all submittals for public inspection as otherwise required by law.

- E. At a minimum, RFP's shall include the following information:
 - 1. A statement which reserves the Town's right to accept or reject any and all proposals, negotiate any contract terms, and waive any informalities in the RFP process as may be in the best interests of the Town.
 - 2. A statement that indicates the factors to be considered in awarding a contract shall consist of professional qualifications, previous experience in related projects, quality of the proposal, ability to complete the project in a timely manner, fees and other relevant criteria deemed necessary.
 - 3. A request for at least three (3) municipal references.
- F. It shall be a violation of these policies to split purchases or service contracts provided by the same vendor into separate invoices for the purposes of avoiding the terms and conditions of these procedures.

22-B.6 Exemptions

- A. The following purchases may be exempted from the competitive bidding, RFP and/or Purchase Order requirements upon approval by the Town Administrator for expenditures of five thousand dollars (\$5,000.00) or less, or upon approval by the Board of Selectmen for expenditures of more than five thousand dollars (\$5,000.00):
 - 1. Items acquired using a State bid purchase price;
 - 2. Emergency repairs and/or acquisitions where a delay would have an immediate adverse impact on public safety;
 - 3. Utilities: telephone, propane, heating fuel, cable television, electricity, etc..;
 - 4. Payments to human service agencies that have been specifically appropriated by the voters;
 - 5. Welfare payments;
 - 6. Bulk goods of a recurring nature or items acquired under a centralized purchasing program as may be approved by the Purchasing Agent;
 - 7. Items that have a proprietary exclusion or a sole source vendor;
 - 8. Expenditures made in accordance with the terms and conditions of a grant or contractual agreement that has been approved by the Board of Selectmen; such as the RFQ solicitation process, change orders, fee increases, etc.;
 - 9. Parts and/or supplies that are purchased from a manufacturer's authorized service provider in order to maintain or repair equipment and vehicles.
- B. Notwithstanding any state or federal law to the contrary, the Board of Selectmen may waive any provision(s) of these procedures or impose more stringent requirements as they deem to be in the Town's best interests.

22-B.7 Special Conditions

- A. Pursuant to RSA 447:16, any contractor engaged by the Town for the purposes of the construction, repair or rebuilding of public buildings, public highways, bridges or other public works contracts of thirty-five thousand dollars (\$35,000) or more, shall be required to provide the Town with sufficient security, by bond or otherwise, in an amount equal to at least 100 percent (100%) of the contract price, or of the estimated cost of the work if no aggregate price is agreed upon, conditioned upon the payment by the contractors and subcontractors for all labor performed or furnished, for all equipment hired, including trucks, for all material used and for fuels, lubricants, power, tools, hardware and supplies purchased by said contractor and used in carrying out said contract, and for labor and parts furnished upon the order of said contractor for the repair of equipment used in carrying out said contract.
- B. The Town reserves the right to require a specific amount of retainage, not to exceed ten percent (10%) per invoice, to be withheld from payment for any contract with a value in excess of ten thousand dollars (\$10,000.00) for such period of time as may be necessary to ensure completion of the project in accordance with the contract specifications.
- C. The Board of Selectmen expressly reserves for itself, exclusively, the authority to procure legal services using Town funds. All requests for legal opinions shall be submitted in writing to the Town Administrator, (to be shared with the Board of Selectmen along with responses), using such attorneys as may deemed acceptable to the Board.
- D. All purchases made by Town employees are subject to the provisions of Section XII.17 of the Town's Personnel Policies. A signed authorization by a Department Manager (or designee) will be required in order for an employee to be eligible for reimbursement by the Town for any purchase made using their own funds on behalf of the Town. (Department Managers will need to get signed approval from the Purchasing Agent or Town Administrator for such reimbursements.)
- E. A Department Manager and/or Town Administrator may, when necessary, hold a bidders conference to better acquaint potential vendors with the objectives and processes desired by the Town, and to address any special concerns, questions or request for exceptions that may arise.

22-B.8 Town Issued Credit Cards

- A. Department Managers may be authorized to use a Town credit card upon issuance approved by the Town Administrator. The use of these credit cards is subject to the following terms and conditions:
 - 1. Credit cards shall be in the name of the Town of Gilford, with the authorized employee's name embossed on the card as well.
 - 2. Credit card purchases shall be subject to all of the spending requirements and limitations as set forth in these Purchasing Procedures. In addition, the spending

limit shall be set at seven thousand five hundred dollars (\$7,500.00) per billing period.

3. Credit cards may be used for Town purchases only. They shall not be used under any circumstances for personal purchases or cash advances.
 4. Employees are responsible for the security of their credit card. All precautions shall be used to maintain confidentiality of the account number, security codes and expiration date of the credit card. Employees shall notify the Purchasing Agent immediately upon discovery of a lost or stolen credit card, in which case they shall not be personally liable for any unauthorized purchases made with the card; however employees may be personally responsible for unauthorized purchases resulting from inadvertence, carelessness, or intentional misuse.
 5. Employees must ensure that the use of a credit card for telephone or internet purchases is secure and from a reputable company. Do not use a Town issued credit card if there is any doubt about the validity of the transaction.
 6. Credit cards may be used to purchase goods and services and for travel expenses, (not including fuel for a personal vehicle), provided that the expenditures have been budgeted and are otherwise allowable.
 7. Credit cards shall not be used to purchase any items that are not otherwise eligible for reimbursement as set forth in Section XII.3.C of the Town's Personnel Policies. In addition, merchants should be informed of the Town's tax exempt status to avoid charges for taxes to the greatest extent possible.
 8. Original receipts for credit card purchases shall be forwarded to the Purchasing Agent as soon as practical with a notation of the account to be charged. Lost or missing slips must be reported immediately. Employees may be held personally responsible for interest charges attributable to their failure to provide the Town with a timely receipt.
 9. In the event that an item purchased with a credit card must be returned or exchanged, it shall be the responsibility of the card holder to ensure a proper credit is issued and copies of such documentation are provided to the Purchasing Agent. Under no circumstances should a cash refund be accepted when a credit card was used for the initial purchase.
 10. Credit card statements shall be mailed directly to the Finance Department for reconciliation and payment purposes. The Town will not pay for charges that are not verified by a receipt. Although the Purchasing Agent may attempt to track down missing receipts as a courtesy on behalf of the Town, it is the responsibility of the Department Manager who authorized a charge to make sure receipts are provided for every transaction.
- B. Notwithstanding any legal rights available to the Town pertaining to the misuse of Town funds, the failure to comply with these terms and condition for the use of a Town issued credit card may result in disciplinary action, collections proceedings, and/or loss of credit card privileges as may be determined by the Town Administrator.

- C. Credit card holders shall be required to sign an acknowledgement that they have read and understand this credit card policy along with a receipt to indicate acceptance of the Town issued credit card.
- D. A card holder must immediately relinquish their credit card upon demand of the Town Administrator or upon notice of pending separation of employment, whether voluntary or otherwise.
- E. Employees below the rank of Department Manager may be authorized to have a Town credit card issued in their name as a result of extenuating circumstances related to their specific job responsibilities, subject to these same terms and conditions, upon approval by the Town Administrator.

22-B.9 Payment Policies

- A. Payments to be made by the Town of Gilford for purchases that are subject to these procedures shall require original invoices or receipts that are either accompanied by a copy of a signed Purchase Order, or approved under signature of the Department Manager (or designee) with a list of accounts to be charged. Payments shall not be authorized using statements unless previously authorized by the Purchasing Agent.
- B. Department Managers shall be responsible to review invoices and receipts for accuracy. Invoices and/or receipts (along with statements to be used for reconciliation purposes) shall be forwarded to the Finance Department in a timely manner, but no less frequently than once a week or within seven (7) days of receipt, whichever comes first.
- C. The Finance Department shall produce a manifest of payments to be made for review and approval by the Board of Selectmen at their convenience.
- D. Upon approval of the manifest by a quorum of the Board members, the Finance Department shall issue checks for signature by the Treasurer (or Deputy Treasurer) and distribute them in a timely manner. In the event that any Selectman has a question or concern about an item on the manifest, he/she may request that payment be withheld until (1) the issue is resolved to the satisfaction of that Selectman, or (2) the payment is approved by a vote of the Board of Selectmen at a duly posted public meeting as otherwise allowed by law.
- E. Contractual payments required on a more frequent basis that deviates from the weekly manifest process may be made based upon a defined procedure approved by the Board of Selectmen.
- F. Emergency payments may be made if deemed necessary by the Town Administrator, subject to notification and approval of the Selectmen.

22-C CASH RECEIPTS POLICY

22-C.1 Authority

These procedures are adopted pursuant to the authority of RSA 41:9 and RSA 41:29.

22-C.2 Purposes

- A. To establish adequate financial controls and accountability to in order to ensure the safeguarding of town funds.
- B. To provide uniform policies and procedures for the depositing of funds that will ensure operational quality and efficiency.

22-C.3 Deposit Agent(s)

- A. The Treasurer maintains custody of all funds except those funds held by the Trustees of Trust Funds, Library Trustees, or Cemetery Trustees. The Treasurer shall ensure that all monies are deposited at least on a weekly basis or daily whenever funds remitted from all departments collectively totals \$500 or more.
- B. The Treasurer may designate deposit functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the Board of Selectmen.

22-C.4 Deposit Procedure

- A. Departments will ensure that all customers are issued a sequentially numbered receipt at the time of collection of moneys. Customers should be encouraged by appropriately placed signs to request a receipt.
- B. Departments will designate a secure area for the safeguarding and processing of cash received. Access to the secured area should be restricted to authorize personnel only. The secured area should be locked when not occupied.
- C. All receipts must be remitted to the Treasurer, through the Finance Office, at least weekly or daily whenever such funds total \$500.00 or more. In the case of a department that has authority from the Treasurer to deposit direct to the bank, such deposits must follow the same protocol. The Finance Office will verify the amount of the deposit while the department representative is still physically present.
- D. Each department must also complete an account detail report identifying the various revenue accounts to be credited, as well as, a copy of the receipt for each transaction. Departments that are authorized to make deposits directly to the bank, shall forward this report along with a duplicate deposit slip to the Treasurer through the Finance Office.
- F. If there is a discrepancy, the Finance Office and the depositor will initial and provide a brief explanation of any changes made for immediate resolution. In the event that the discrepancies cannot be resolved, the Finance Director and Department Head will be notified immediately.

- G. The Finance Office will consolidate all deposits received and prepare a bank deposit at least weekly, or daily when funds total \$500.00 or more. The deposit shall be placed in a secure bag and be taken to the Town Clerk – Tax Collector’s Office.
- H. The bank will pick up all deposit bags on a daily basis from the Town Clerk – Tax Collector’s Office and return all bags from previous days deposits to the same location.
- K. Under no circumstance will the Department or any town employee utilize personal funds to compensate for shortages or overages. All shortages or overages must be brought to the attention of the Finance Director prior to submission. Employees and officials are not allowed to cash personal checks made payable to the Town or paychecks.

22-C.5 Petty Cash

- A. A nominal amount of cash may be retained by departments for use as change for daily transactions. Such fund will be kept in a locked cash box and stored with, or in the same manner as, deposit receipts as outlined in section 22-C.4-B. Such funds may be used for small convenience purchases if such use does not interfere with normal operations.
 - 1. Disbursement of petty cash must be done using an approved voucher form.
 - 2. Voucher forms must be signed by the employee receiving the funds and authorized by a Department Head or their designee.
 - 3. A receipt for the purchase shall be returned to Department Head or their designee to be attached to the voucher form. Any change received as a result of the transaction shall be returned to the cash box.
 - 4. Petty cash shall be reconciled on a daily basis if it is used for daily transactions and at least weekly if primarily for petty cash purposes.
 - 5. Reimbursement for petty cash expenditures shall be submitted to the Finance Office, along with the reconciliation, when the sum of the vouchers exceeds twenty five dollars (\$25.00), but no less frequently than once a month.
 - 6. The Finance Office shall review the submittal for accuracy and issue a check to the department as part of the normal accounts payable process.

22-D FUND BALANCE POLICY

22-D.1 Purpose

- A. To establish guidelines for the proper classifications of fund balance, the appropriate size of the unassigned fund balance, and the use of any excess funds for the Town of Gilford.
- B. To manage the town's unassigned fund balance to assist with the orderly operation of the town and provision of services to residents and the continued stability of the property tax structure.
- C. To address several primary considerations.
 - 1. To meet the cash flow requirements of the Town.
 - 2. To assist with property tax rate stabilization.
 - 3. To assist with the management of revenues and expenditures, recognizing that sources of revenues are impacted differently under varying economic conditions.
 - 4. To identify the proper use of excess unassigned fund balance.

22-D.2 Definitions

- A. Fund Balance is the accumulated equity balance in a governmental fund from operations over the years. It is the difference between the fund's assets and its liabilities. Fund Balance must be classified into one or more of the five following categories:
 - 1. **NonSpendable Fund Balance** – amounts that are not in a spendable form (such as inventory) or are required to remain intact (such as the corpus of an endowment/trust fund).
 - 2. **Restricted Fund Balance** – amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - 3. **Committed Fund Balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (town meeting); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action (town meeting) to remove or change the constraint.
 - 4. **Assigned Fund Balance** – amounts a government intends to use for a specific purpose: intent can be expressed by the governing body or by an official or body to which the governing body delegates its authority.
 - 5. **Unassigned Fund Balance** – all amounts not contained in other classifications and are available for any purpose; these amounts are only reported in the general fund.

- B. The General Fund is the fund used to account for basic governmental services and is supported mainly by tax revenue.

22-D.3 Policy Guidelines

- A. To maintain a level of fund balance between 5% and 17% of the sum of the town's annual budget plus the School and County appropriations in accordance with the recommendations of the NH Department of Revenue Administration and the general accepted accounting practices recommended by the Government Finance Officers Association.

- B. Spending Prioritizations:

- 1. When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid first from restricted funds.
- 2. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:
 - a. Committed
 - b. Assigned
 - c. Unassigned

- B. The general fund unassigned fund balance shall be designated for the following purposes and in the amounts described below.

- 1. To avoid the need to issue Tax Anticipation Notes, the Town shall retain a sufficient amount of unassigned fund balance in order to provide an appropriate level of cash reserves for town operations and its obligations to the school district and county. This amount shall also include funds necessary to manage unanticipated emergencies as defined by RSA-32:11.
- 2. A nominal amount of the unassigned fund balance shall be used to stabilize the municipal portion of the tax rate. This amount shall reflect a minimal sum anticipated annually, resulting from unexpended appropriations and unanticipated revenues. This nominal amount, in excess of the cash reserves necessary in (1) above, is established at \$300,000.
- 3. Unassigned fund balance in excess of (1) and (2) which is above the minimum amount set forth in (A) shall be known as unallocated unassigned fund balance.
- 4. It is recognized that an undue reliance upon the unassigned fund balance to stabilize the tax rate is detrimental to the financial health of the town. Accordingly, with the exception of (2) above, the town shall not allocate any additional portion of its unassigned fund balance to pay operating costs, wages, salaries and benefits, or recurring capital expenses (e. g. police cruisers, minimal level of road reconstruction).
- 5. It is recognized that municipal rating agencies discourage the use of one-time or excess funds to pay debt service requirements. Accordingly, the Town shall not

allocate any additional portions of its unassigned fund balance to make debt service payments.

6. Unallocated unassigned fund balance in excess of the sums necessary for (1) & (2) may be used for the current or planned capital expenses through the use of Capital Reserve Funds, non-recurring capital equipment, and other capital purchases or major projects which will increase the town's efficiency in delivering municipal services, but whose absence shall not curtail or otherwise restrict the delivery of those services.
 7. Unallocated unassigned fund balance may also be utilized to re-appropriate funds for projects previously budgeted but not initiated at fiscal year end.
 8. Unallocated unassigned fund balance may be utilized for overlay purposes when it is anticipated that the property tax abatements will be issued for assessment changes implemented in a previous fiscal year.
- C. The town recognizes that several revenue sources are subject to significant fluctuation, depending upon the local and regional economic climate. Among these revenue sources are motor vehicle permit fees, boat registration fees, interest on deposits and interest earned on delinquent taxes. In order to avoid an over-reliance upon these variable revenue sources, the Town shall include in its annual budget estimates of historical norms. If actual revenues fall short of these Excess revenues shall, at year-end, be classified as unassigned fund balance, to be utilized in accordance with this Policy.
- D. Nothing in this Policy shall require the Town to exhaust all of its unallocated unassigned fund balance in one fiscal year. Expenditure of unallocated unassigned fund balance shall be made after a review of all available information, including the Town's planning tools such as the Capital Improvements Program.
- E. The Finance Director, as part of the annual budget process, shall prepare an analysis of this Policy. The analysis shall include the prior year actual status of this policy and project the status for the current year.
- F. Shortages from the requirements of this policy shall result in no further allocation of unassigned fund balance beyond the use in (1) above, until such time as the unassigned fund balance exceeds that required in (1). Thereafter, any excess unassigned fund balance shall be used for tax rate stabilization as described in (2) above, followed by other potential uses identified throughout this Policy.
- G. Overages from the requirements of this policy shall be managed in one of the ways as defined in (6) through (8). Should excessive overages continue over an extended period of time, the amount used to stabilize the tax rate as set forth in (2) may be adjusted accordingly.
- H. It is clearly understood that the guidelines adopted within this Policy, particularly those associated with expenditures, shall first receive appropriate authority from voters at an Annual Meeting.

22-E INTERNAL CONTROLS

22-E.1 Purposes

Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Specifically, internal controls are the structure, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities.

22-E.2 Principals and Guidelines

A. The Control Environment

1. The Board of Selectmen has adopted this policy as evidence of their commitment to safeguarding the Town's assets. The expectation of integrity and ethical values is the foundation for all other components of managerial control.
2. Integral to the organizational culture of the Town is a commitment to competence. A sound Personnel Plan, continual review of job descriptions, background checks, job qualifications, and performance evaluations are some of the tools used to demonstrate this commitment. In addition to competence, a clear line of authority and responsibility is established and documented throughout the Personnel Plan, job descriptions and departmental policies.

B. Risk Assessment

1. All levels of administration and management must be aware of the potential risks that could hinder Town operations. Always be aware of what could go wrong and what assets need to be protected.
2. Some indications of increased risk include;
 - a. Changes in personnel (turnover, attitudes, levels of stress, illness).
 - b. Changes in operations (economic or political).
 - c. Periods of rapid growth.
 - d. Establishment of new services provided.
 - e. Complex programs or activities.
 - f. Cash transactions.
 - g. Off-book accounts.
 - h. Uncorrected prior problems.

C. Control Activities

1. These are the tools that minimize risk and enhance effectiveness. They are designed to increase productivity, not bureaucracy. Primarily, this consists of specific departmental or town-wide policies and procedures that describe what the Town's objectives are and how to achieve those objectives.

2. Preventive controls utilized include; authorizations, documentation, segregation of duties, sequential numbering of forms, controlled access, physical security, confidentiality, computer passwords, and disaster recovery.
3. Detection controls include;
 - a. Reconciliations.
 - b. Periodic verifications (inventory).
 - c. Exception reports.
 - d. Supervisory reviews.

D. Information and Communication

1. Supervisors must communicate duties and responsibilities to employees and employees must be able to alert management to potential problems. Communication of this policy must be ongoing between various levels and departments of the Town. This information must be communicated both within the Town's operations and externally to vendors, taxpayers, and other committees.

E. Monitoring

1. The effectiveness of all control policies and procedures shall be periodically reviewed. Ongoing review will assess the continued adequacy of policies and identify problems that need to be corrected.

22-F FRAUD POLICY

22-F.1 Purposes

- A. The Town of Gilford is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of Town taxpayers.
- B. Town officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.
- C. This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

22-F.2 Definitions

- A. Occupational fraud is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud.
 - 1. Asset Misappropriations – Theft or misuse of an organization's assets.
 - a. Cash.
 - i. Fraudulent Disbursements – Causing the Town to disburse funds through some trick or device (e.g. submitting false invoices/time cards/sheets, expense reimbursement schemes, check tampering, etc.).
 - ii. Skimming – Cash is stolen before it is recorded on the Town's books and records.
 - iii. Cash Larceny – Cash is stolen after it has been recorded on the Town's books or records.
 - b. Inventory and all other assets.
 - i. Misuse – Misuse of the Town's inventory or assets for personal use (e.g. Town vehicles and equipment, computers, materials, supplies, etc.).
 - ii. Larceny – Inventory or other assets are stolen.
 - 2. Corruption – Wrongfully use influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.
 - a. Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the Town.
 - b. Bribery – The offering, giving, receiving or soliciting of anything of value to influence an official act or a business decision.

- c. Illegal Gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
 - d. Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. Fraudulent Statements – Falsification of the Town’s financial statements.
- B. Other similar irregularities is defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or Town employees, that put Town revenue, property, information and other assets at risk of waste or abuse.

22-F.3 Applicability

This policy applies to all Board Members, the Town Administrator, employees of the Town, and to all Committees over which the Board of Selectmen has authority to require general policies to be followed. This policy is also applicable to companies doing business with the Town of Gilford (contractors, vendors, agents, etc.).

22-F.4 General Policy and Responsibility

- A. It is the Town’s intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any party who might be or become involved in the subject of such investigation.
- B. The Board of Selectmen and Town Administrator are responsible for instituting and maintaining a system of internal controls to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.
- C. The Town Administrator has the primary responsibility for the investigation of all activity defined in this policy.
- D. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator, with the advice of the Board of Selectmen, will contact the Gilford Police Department.
- E. Upon conclusion of the investigation, the results will be reported to the Town Administrator and others as determined necessary.
- F. The Town will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the Town’s losses for the offender, or other appropriate source.

22-F.5 Procedures

- A. All Employees
 - 1. Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her

supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Town Administrator.

2. Employees have a duty to cooperate during an investigation.
3. Employees who knowingly make fake allegations will be subject to discipline in accordance with Personnel policy and procedures.

B. Town Management/Elected Officials

Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Administrator.

C. Town Administrator

Upon notification or discovery of a suspected fraud, the Town Administrator will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator will inform the Town's Counsel. Subject to the advice of Town Counsel, the Town Administrator will contact the Gilford Police Department.

D. Contacts/Protocol

After an initial review and a determination that the suspected fraud warrants additional investigation, The Town Administrator will coordinate the investigation with Town Counsel and appropriate law enforcement officials.

E. Security of Evidence

Once a suspected fraud is reported, the Town Administrator, in consultation with Town Counsel, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the Town Administrator obtains the records to begin the investigation.

F. Confidentiality

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, the Town Administrator, in consultation with Town Counsel and/or police department, may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.

G. Personnel Actions

1. If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal shall be taken by the Board of Selectmen.
2. Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary

action being taken. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Town Administrator no later than seven calendar days after the notice is received.

H. Whistle-Blower Protection

1. Under New Hampshire Statute Title XXIII Labor, Chapter 275-E of the Whistleblowers' Protection Act – Protection of employees reporting violations – No employer shall discharge, threaten, or otherwise discriminate against any employee regarding such employee's compensation, terms, conditions, location, or privileges of employment because:
 - a. The employee, in good faith, reports or causes to be reported, verbally or in writing, what the employee has reasonable cause to believe is a violation of any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States; or
 - b. The employee, in good faith, participates, verbally or in writing, in an investigation, hearing, or inquiry conducted by any governmental entity, including a court action, which concerns allegations that the employer has violated any law or rule adopted under the laws of this state, a political subdivision of this state, or the United States.
2. Paragraph I of this section shall not apply to any employee unless the employee first brought the alleged violation to the attention of a person having supervisory authority with the employer, and then allowed the employer a reasonable opportunity to correct that violation, unless the employee had specific reason to believe that reporting such a violation to his employer would not result in promptly remedying the violation.

I. Media Issues

Any Town employee or elected official contacted by the media with respect to an audit investigation shall refer the media to the Town Administrator. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Town Administrator.

J. Documentation

At the conclusion of the investigation, the results will be reported to the Town Administrator and Board of Selectmen and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the Attorney General and/or the Police Department.

K. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel actions, any records, documents and other evidentiary material will be returned by the Town Administrator to the appropriate department.

L. Reporting to External Auditors

The Town Administrator will report to the external auditors of the Town all information relating to investigations.

M. Training

1. Employees of the Town will be given a copy of this policy and will also be required to understand the requirements as listed below. New employees are trained at the time of hiring about the Town's Personnel Plan, Internal Control Policy and Fraud Policy. This training explicitly covers expectations of all employees regarding:
 - a. Their duty to communicate certain matters;
 - b. A list of types of matters, including actual or suspected fraud, to be communicated along with specific examples; and
 - c. Information on how to communicate those matters.

N. Annual Report

As directed by the Board of Selectmen, the Town Auditor will report, on an annual basis, information related to investigations conducted during the year.

22-G CREDIT CARD SECURITY AND PROCESSING

22-G.1 Purpose

- A. This policy covers the security and processing of credit card information. Security of this information is extremely important to the transaction of business and the Town is entrusted by our citizens to protect sensitive information that may be supplied while conducting business.
- B. Employees and town officials must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of employees or officials who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

22-G.2 Definitions

- A. Sensitive information is defined as any personal information (i.e. - name, address, phone number, e-mail, Social Security number, driver's license number, bank account, credit card numbers, etc.) or municipal information not publicly available (i.e. – clients, financial information, employee information, schedules, technology, etc.).
- B. Media is defined as any printed or handwritten paper, received faxes, floppy disks, back-up tapes, computer hard drive, etc.
- C. An employee is any person employed by the Town.
- D. A town official is any person elected to office or appointed to a position that is not designated as an employee (i.e. volunteer).

22-G.3 Applicability

- A. This policy applies to all municipal employees and officials who may directly interact with the cardholder environment. Each employee and official must read and sign a form verifying they have read and understand this policy.
- B. Management will review and update this information security policy at least once a year to incorporate relevant security needs that may develop.

22-G.4 Procedures

- A. All credit card information must be stored securely and disposed of in a secure manner when no longer needed for business reasons. Any media (i.e – paper, floppy disk, backup tape, computer hard drive, etc.) that contains credit card information must be protected against unauthorized access.
 - 1. Destroy cardholder information in a secure method when no longer needed. Media containing card information must be destroyed by shredding or other means of physical destruction that would render the data irrecoverable (shred, degauss, etc.).

2. It is prohibited to store the contents of the credit card magnetic stripe (track data) on any media whatsoever.
 3. It is prohibited to store the card-validation code (3 or 4 digit value printed on the signature panel of the card) on any media whatsoever.
 4. All but the last 4 numbers of the credit card account number must be masked (i.e. – x’s or *’s) when the number is displayed electronically or on paper.
- B. If credit card information needs to be transported physically or electronically, it must be protected while in transit (i.e. – to a secure storage facility or across the Internet).
1. Credit card account numbers must never be e-mailed without using proper encryption technologies (i.e. – PGP encryption).
 2. Media containing credit card account numbers must only be given to trusted persons for transport to off-site locations.
- C. Access to credit card information is restricted to those that have a need-to-know. No employee or town official should have access to credit card account numbers unless they have a specific job function that requires such access.
- D. Physical access to credit card information, or systems that house that information (ex. computers or filing cabinets storing cardholder data), will be restricted in order to protect it from those who do not have a need to access that information.
1. Media containing credit card information must be securely handled and distributed.
 2. Media containing stored sensitive information (especially credit card account numbers and social security numbers) should be properly inventoried and disposed when no longer needed for business by deleting, shredding degaussing before disposal.
 3. Visitors should always be escorted and easily identifiable when in areas that may contain sensitive information.
 4. Password protected screen savers should always be used on any computers that may contain sensitive information.
- E. Keeping credit card information secure requires periodic training of employees and town officials and contractors to keep security awareness levels high. The following policies and procedures address this issue.
1. Hold periodic security awareness training meetings of employees, town officials, and contractors to review correct handling procedures for sensitive information.
 2. Employees and town officials are required to read this security policy and verify that they fully understand it by signing the acknowledgement form at the end of this policy.
 3. Background checks (such as credit and criminal record checks, within the limits of local law) will be conducted for all employees and town officials that are elected or appointed and will handle credit card information.

4. All third parties with access to credit card account numbers are contractually obligated to comply with card association security standards (PCI/DSS).
5. This security policy shall be reviewed annually and updated as needed.

22-G.5 Security Management/Incident Response Plan

- A. There will be an employee or town official of the municipality designated as the security officer. The security officer shall be appointed by the Board of Selectmen. The security officer is responsible for communicating credit card security policies to employees, town officials, and contractors and tracking the adherence to the policies. In the event of a compromise of credit card information, the security officer will oversee the execution of the incident response plan.
- B. Incident Response Plan:
 1. If a compromise is suspected, the information security officer shall be alerted.
 2. The security officer shall conduct an initial investigation of the suspected compromise.
 3. If compromise of information is confirmed, the security officer will alert management and begin informing parties that may be affected by the compromise. If the compromise involves credit card account numbers perform the following:
 - a. Contain and limit the extent of the exposure by shutting down any systems or processes involved in the compromise.
 - b. Alert necessary parties (Merchant Bank, Visa Fraud Control, law enforcement).
 - c. Provide compromised or potentially compromised card numbers to Visa Fraud Control within 24 hrs.
 - d. Additional security information may be found at:
http://usa.visa.com/business/accepting_visa/ops_risk_management/cisp_if_compromised.html

22-G.6 Ethics and Discipline

- A. The Town expects that all employees and town officials conduct themselves in a professional and ethical manner in the course of processing credit card information consistent with Article XIII of the Town's Personnel Policy.
- B. employees and town officials should report any dishonest activities or damaging conduct to an appropriate supervisor or official.
- C. An employee's failure to comply with the standards and policies set forth in this document may result in disciplinary action as set forth in Article IX of the Town's Personnel Policy. A town official's failure to comply with the standards and policies set forth in this document may result in the official being banned from processing credit card information and other actions as set forth in State statutes.

Credit Card Information Security Policy Acknowledgement

I agree to take all reasonable precautions to assure that municipal internal information, or information that has been entrusted to the municipality by third parties such as citizens, will not be disclosed to unauthorized persons. At the end of my employment, term of office, or contract with the municipality, I agree to return all information to which I have had access as a result of my position. I understand that I am not authorized to use sensitive information for my own purposes, nor am I at liberty to provide this information to third parties without the express written consent of the internal manager who is the designated information owner.

I have access to a copy of the Information Security Policies, I have read and understand these policies, and I understand how it impacts my job. As a condition of continued employment, I agree to abide by the policies and other requirements found in the municipal security policy. I understand that non-compliance will be cause for disciplinary action up to and including dismissal, and perhaps criminal and/or civil penalties.

I also agree to promptly report all violations or suspected violations of information security policies to the designated security officer.

Employee/Town Official Name

Department

Employee/Town Official Signature

Date

22-H TAX-EXEMPT OBLIGATION POST ISSUANCE COMPLIANCE POLICY

22-H.1 Purpose

The purpose of this Tax-Exempt Obligation Post Issuance Compliance Policy is to establish policies and procedures in connection with tax-exempt bonds and notes (the “Bond” or “Bonds”) issued by the Town of Gilford, New Hampshire (the “Issuer”) so as to maximize the likelihood that all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds are met.

22-H.2 Compliance Coordinator

- A. The Finance Director shall serve as the Compliance Coordinator (“Coordinator”) and be responsible for monitoring post-issuance compliance.
- B. The Coordinator will maintain a copy of the transcript of proceedings in connection with the issuance of any tax-exempt obligations. The Coordinator will obtain such records as are necessary to meet the requirements of this policy.
- C. The Coordinator shall consult with bond counsel, a rebate consultant, financial advisor, Internal Revenue Service (“IRS”) publications and such other resources as are necessary to understand and meet the requirements of this policy.
- D. Training and education of the Coordinator and his/her staff will be sought and implemented upon the occurrence of new developments and upon the hiring of new personnel to implement this policy

22-H.3 Record Keeping

- A. Financing Transcripts - The Coordinator shall confirm the proper filing with the IRS of an 8038 Series return, and maintain a transcript of proceedings for all tax-exempt obligations issued by the Issuer, including but not limited to all tax-exempt bonds, notes and lease-purchase contracts. Each transcript shall be maintained for as long as the Bonds are outstanding, plus three (3) years after the final redemption date of the Bonds. Said transcript may be maintained in electronic format and shall include, at a minimum:
 - 1. Form 8038s.
 - 2. Minutes, resolutions, and certificates;
 - 3. Certifications of issue price from the underwriter, if applicable.
 - 4. Formal elections required by the IRS.
 - 5. Trustee statements, if applicable.
 - 6. Records of refunded bonds, if applicable.
 - 7. Correspondence relating to bond financings.
 - 8. Documents related to governmental grants associated with construction, renovation or purchase of bond financed facilities, if applicable.
 - 9. Publications, brochures, and newspaper articles, where applicable.

- B. Modification to Financing Documents - The Coordinator shall determine if there is any “significant modification” to bond documents resulting in reissuance under Treasury Regulations §1.1001-3, in consultation with bond counsel and any other legal counsel and financial advisor. The Coordinator shall retain proof of filing new Form 8038 and relevant documentation plus final rebate calculation on pre-modification bonds.

22-H.4 Proper Use of Proceeds

- A. The Coordinator shall review the resolution authorizing issuance for each tax-exempt obligation issued by the Issuer and shall:
1. Obtain a computation of the yield on such issue from the Issuer’s financial advisor.
 2. Create a separate Project Fund (with as many sub-funds as shall be necessary to allocate proceeds among the projects being funded by the issue) and a separate Cost of Issuance Fund as necessary to allocate proceeds to Bond issuance costs into which the proceeds of the issue shall be deposited, as applicable.
 3. Review all requisitions, draw schedules, draw requests, invoices and bills requesting payment from the Project Fund.
 4. Determine whether payment from the Project Fund is appropriate, and if so, make payment from the Project Fund (and appropriate sub-fund if applicable).
 5. Maintain records showing the earnings on, and investment of, the Project Fund.
 6. Ensure that all investments acquired with proceeds are purchased at fair market value.
 7. Identify bond proceeds or applicable debt service allocations that must be invested with a yield-restriction and monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the yield to which such investments are restricted.
 8. Maintain records related to any investment contracts, credit enhancement transactions, and the bidding of financial products related to the proceeds.
 9. Monitor and maintain records of the reimbursement of costs previously expended by the Issuer to ensure that such reimbursement occurs not more than 18 months after the later of
 - a. the dates of the expenditures.
 - b. The date the project/asset was placed in service (but not more than 3 years after the original expenditures were paid) except with respect to those expenditures for which the Issuer obtained a certificate of licensed engineer/architect to the effect that
 - i. At least five (5) years was necessary to complete the construction of the part of the project for which such expenditures were required.

- ii. Such expenditures shall be reimbursed not more than five (5) years after the date that the original expenditures were paid.

22-H.5 Arbitrage/Rebate Compliance and Timely Expenditure of Proceeds

- A. The Coordinator shall review the No Arbitrage and Tax Certificate (or equivalent) (the “Certificate”) for each tax-exempt obligation issued by the Issuer and the expenditure records provided in Section 3 of this policy, above, and shall ensure that the Issuer takes the following actions:
 1. Monitor and ensure that proceeds of each such issue are spent within the temporary period set forth in the Certificate.
 2. If at the time of issuance, it appears that that the Bonds will qualify for the small issuer exception to the rebate requirement, the Coordinator will monitor the amount of subsequent tax-exempt obligations issued or proposed to be issued in the calendar year in which the Bonds closed to ensure that the Issuer does not exceed the \$5 million or \$15 million threshold, as applicable, in such calendar year.
 3. If at the time of issuance, based on reasonable expectations set forth in the Certificate, it appears likely that the issue will qualify for an exemption from the rebate requirement, the Issuer may defer taking any of the actions set forth in subsection (4) below. Not later than the time of completion of construction or acquisition of the project, and depletion of all funds from the Project Fund, the Issuer shall make a determination if the expenditure of the Bond proceeds qualified for an exemption from the rebate requirements based on spending within a 6 month, 18 month or 2 year period after issuance. If a rebate exemption is determined to be applicable, the Issuer shall prepare and keep in the permanent records of the issue a memorandum evidencing this conclusion together with records of expenditure to support such conclusion. If the transaction does not qualify for rebate exemption, the Issuer shall initiate the steps set forth in (4) below.
 4. If at the time of issuance it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to (3) above, the Issuer shall:
 - a. Engage the services of expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds, or else shall ensure that it has adequate financial, accounting and legal resources of its own to make such calculations, and, prior to each rebate calculation date, cause the trustee or other financial institution investing bond proceeds to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider.
 - b. Provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider.
 - c. Monitor efforts of the Rebate Service Provider.

- d. Assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed.
- e. During the construction period of each capital project financed in whole or in part by Bonds, monitor the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 2 years, as applicable, following the issue date of the Bonds.
- f. Retain copies of all arbitrage reports, trustee statements and other documents as required herein.
- g. In lieu of engaging an outside Rebate Service Provider, the Issuer may make a determination that it has sufficient capabilities using its own personnel, supported by its regular accounting and legal advisers, to be able to make the required rebate calculations. Such determination shall be evidenced in writing with specific reference to the personnel and advisers to carry out the calculations, and such written determination shall be maintained in the records of the bond transaction.

22-H.6 Proper Use of Bond Financed Assets

- A. The Coordinator shall maintain appropriate records and a list of all bond financed assets. Such records shall include the actual amount of proceeds (including investment earnings) spent on each of the bond financed assets.
- B. With respect to each bond financed asset, the Coordinator will monitor and confer with bond counsel with respect to all proposed:
 - 1. Management contracts.
 - 2. Service agreements.
 - 3. Research contracts.
 - 4. Naming rights contracts.
 - 5. Leases or sub-leases.
 - 6. Joint venture, limited liability or partnership arrangements.
 - 7. Sale of property.
 - 8. Any other change in use of such asset.
- C. Section 141 of the Code sets forth private activity tests for the purpose of limiting the volume of tax-exempt bonds that finance activities of persons other than state and local governmental entities. These tests serve to identify arrangements that actually or reasonably expect to transfer the benefits of tax-exempt financing to non-governmental persons, including the federal government. The Coordinator shall provide to the users of any bond financed property a copy of this Compliance Policy and other appropriate written guidance advising that:

1. "Private business use" means use by any person other than the Issuer, including business corporations, partnerships, limited liability companies, associations, non-profit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond financed property.
 2. No more than 10% of the proceeds of any tax-exempt bond issue (including the property financed with the Bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use – that is, generally, a private business use that is not functionally related to the government's purposes of the Bonds; and no more than the lesser of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit.
 3. Before entering into any special use arrangement with a non-governmental person that involves the use of bond financed property, the Coordinator will consult with bond counsel, provide bond counsel with a description of the proposed non-governmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property.
 4. In connection with the evaluation of any proposed non-governmental use arrangement, the Issuer will consult with bond counsel to obtain federal tax advice in whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property, and, if not, whether any "remedial action" permitted under §141 of the Code may be taken as means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the Bonds.
- D. The Coordinator shall maintain a copy of any such proposed agreement, contract, lease or arrangement, together with the response by bond counsel with respect to said proposal for at least three (3) years after retirement of all tax-exempt obligations issued to fund all or any portion of bond financed assets.
- E. The Coordinator shall consult with bond counsel and other legal counsel and advisers in the review of any change in use of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Certificate.
- F. The Coordinator shall confer at least annually with other personnel responsible for bond-financed or refinanced assets to identify and discuss any existing or planned use of bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Certificate.
- G. To the extent that the Coordinator discovers that any applicable tax restrictions regarding use of bond proceeds and bond-financed or refinanced assets will or may be

violated, the Coordinator shall consult promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

22-H.7 Bank Qualification

If the Bonds are issued in a par amount of \$10 million or less and designated by the Issuer as “bank qualified” under Section 265(b)(3) of the Code, the Coordinator will monitor the amount of subsequent tax-exempt obligations issued or proposed to be issued in the calendar year in which the Bonds closed to ensure that the Issuer does not exceed the \$10 million threshold in such calendar year.

22-H.8 General Project Records

- A. For each project financed with tax-exempt obligations, the Coordinator shall maintain a copy of all material documents relating to capital expenditures financed or re-financed by tax-exempt proceeds, until three (3) years after retirement of the tax-exempt obligations or obligations issued to refund those obligations including (without limitation), the following:
1. Appraisals, demand surveys or feasibility studies.
 2. Applications, approvals and other documentation of grants.
 3. Depreciation schedules.
 4. Contracts respecting the project, including construction contracts.
 5. Purchase orders.
 6. Invoices.
 7. Trustee requisitions and payment records.
 8. Documents relating to costs reimbursed with Bond proceeds.
 9. Records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of proceeds.

22-H.9 Advance Refundings

- A. The Coordinator, shall be responsible for the following current, post issuance and record retention procedures with respect to advance refunding bonds:
1. Identify and select bonds to be advance refunded with advice from internal financial personnel, and a financial advisor.
 2. The Coordinator shall identify, with advice from the financial advisor and bond counsel, any possible federal tax compliance issues prior to structuring any advance refunding.
 3. The Coordinator shall review the structure with the input of the financial advisor and bond counsel, of advance refunding issues prior to the issuance to ensure
 - a. That the proposed refunding is permitted pursuant to applicable federal tax requirements if there has been a prior refunding of the original bond issue.

- b. That the proposed issuance complies with federal income tax requirements which might impose restrictions on the redemption date of the refunded bonds.
 - c. That the proposed issuance complies with federal income tax requirements which allow for the proceeds and replacement proceeds of an issue to be invested temporarily in higher yielding investments without causing the advance refunding bonds to become “arbitrage bonds.”
 - d. That the proposed issuance will not result in the issuer’s exploitation of the difference between tax exempt and taxable interest rates to obtain a financial advantage nor overburden the tax exempt market in a way that might be considered an abusive transaction for federal tax purposes.
 - e. That the proposed refunding complies with applicable State law.
4. The Coordinator shall collect and review data related to arbitrage yield restriction and rebate requirements for advance refunding bonds. To ensure such compliance, the Coordinator shall engage a rebate consultant to prepare a verification report in connection with the advance refunding issuance. Said report shall ensure said requirements are satisfied.
 5. The Coordinator shall, whenever possible, purchase SLGS to size each advance refunding escrow. The financial advisor and/or bond counsel shall be included in the process of subscribing SLGS. To the extent SLGS are not available for purchase, the Coordinator shall, in consultation with bond counsel and the financial advisor, comply with IRS regulations.
 6. To the extent the Issuer elects to purchase a guaranteed investment contract, the Coordinator shall ensure, after input from bond counsel, compliance with any bidding requirements set forth by the IRS regulations.
 7. In determining the issue price for any advance refunding issuance, the Coordinator shall obtain and retain issue price certification by the purchasing underwriter at closing.
 8. After the issuance of an advance refunding issue, the Coordinator shall ensure timely identification of violations of any federal tax requirements and engage bond counsel in attempt to remediate same in accordance with IRS regulations.

22-H.10 Continuing Disclosure

- A. The Coordinator shall assure compliance with each continuing disclosure certificate and annually, per continuing disclosure agreements, file audited annual financial statements and other information required by each continuing disclosure agreement. The Coordinator will monitor material events as described in each continuing disclosure agreement and assure compliance with material event disclosure. Events to be reported shall be reported promptly, but in no event not later than ten (10) Business Days after the day of the occurrence of the event. Currently, such notice shall be given in the event of:
 1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements relating to the bonds reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the bonds, or material events affecting the tax-exempt status of the bonds.
7. Modifications to rights of Holders of the Bonds, if material.
8. Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers.
9. Defeasances of the bonds.
10. Release, substitution, or sale of property securing repayment of the bonds, if material.
11. Rating changes on the bonds.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

22-H.11 Due Diligence and Remedial Actions

In all activities related to the Issuer's Bonds, the Coordinator and his/her staff will exercise due diligence to comply with the Code provisions governing tax-exempt obligations. The Issuer is aware of (a) the Voluntary Closing Agreement Program (known as "VCAP") operated by the IRS which allows issuers to voluntarily enter into a closing agreement in the event of certain non-compliance with Federal tax requirements and (b) the remedial actions available under Section 1.141-12 of the Income Tax Regulations for private use of bond financed property which was not expected at the time the Bonds were issued.

22-H.12 Periodic Review

The Issuer will monitor compliance with the guidelines contained in this policy as well as any other covenants not specifically included herein and will review and update these guidelines at least annually and whenever necessary due to change in law or circumstances.

IN WITNESS WHEREOF, this Administrative Code Amendment #4 is hereby adopted and approved on the ____ day of _____, 20____ by the Gilford Board of Selectmen, to be effective immediately. ATTEST:

John T. O'Brien, Chair: _____

Gus Benavides, Vice-Chair: _____

Richard Grenier, Clerk: _____

UNDER SEAL OF THE TOWN, RECEIVED AND RECORDED ON THIS ____ DAY OF _____, 20____, BY:

Denise A. Gonyer, Town Clerk: _____